



BUDGET BRIEFS

SB 75

The Senate Budget Bill

JUNE 26, 2001

IN THIS BRIEF:

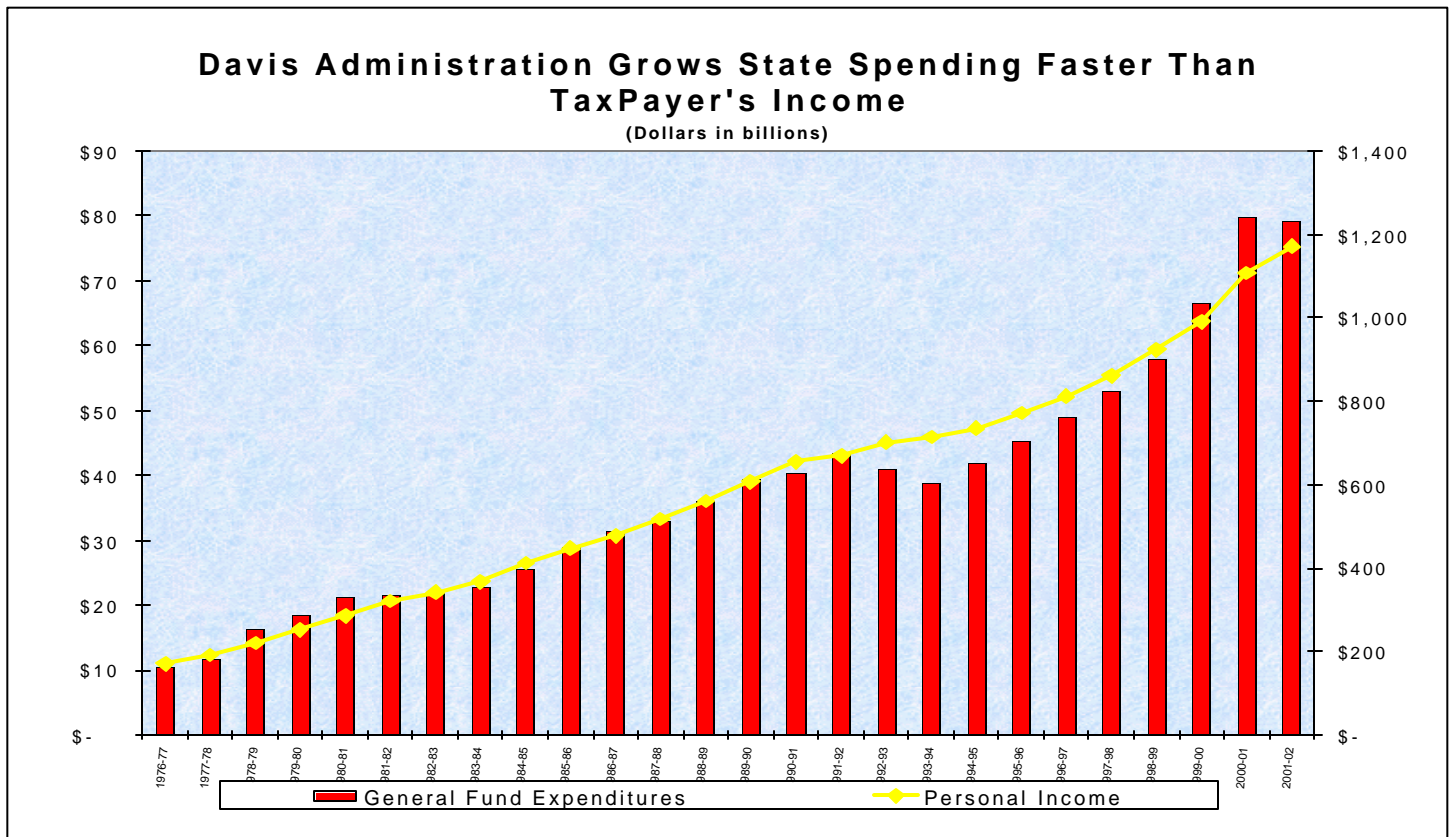
- **OVERVIEW**
- **TAX INCREASES**
- **GROWTH IN BUREAUCRACY**
- **HEALTH & HUMAN SERVICES EXPANSIONS**
- **EDUCATION**
- **TRANSPORTATION, RESOURCES**
- **GENERAL GOVERNMENT, PUBLIC SAFETY**

OVERVIEW

MIKE GENEST, STAFF DIRECTOR

- The Budget includes a Reserve for Economic Uncertainty of \$2.2 billion, or 2.9 percent of General Fund revenues and transfers, which is twice as much as the Governor proposed in his May Revision.
- Despite the increased reserve, SB 75 proposed to spend \$79.1 billion General Fund, which is \$4 billion more than available revenue.
- In fact, as Figure 1 shows, the Budget for 2001-02 maintains the Davis Administrations record growth in government. Specifically, General Fund spending has increased from \$57.8 billion in 1998-99 (the last budget of the Wilson Administration) to \$79.1 billion (assuming the Conference version of SB 75). This is an increase of 37 percent. The figure also shows that the state's aggregate personal income has increased from \$924 billion to \$1,139 billion over the same period, an increase of 23 percent. Thus, the Davis Administration has grown state government substantially faster than the income of taxpayers.
- The Conference version of the Budget also fails to address major Republican priorities: it contains no funds for school district revenue limit equalization, it increases taxes, it includes funding for over 10,000 excess vacant positions, and it reneges on last year's commitment of gasoline sales tax revenues for transportation. In addition, the Budget fails to address any of the priorities suggested by Senate and Assembly Republicans last December.
- Finally, the Budget contains \$126 million General Fund and \$121.9 million of bond funds for legislative projects. Republicans have indicated that, in a year of deficit spending and tax increases, it is inappropriate to set aside funds for such "pork-barrel" projects.

FIGURE 1



TAX INCREASES

TOM SHEEHY, PRINCIPAL CONSULTANT

Despite a budget that includes \$16 billion *more* in annual General Fund revenue than when he took office, Governor Davis is raising taxes on all Californians and is renegeing on the few meager tax breaks he proposed just last January. The tax increases and missed opportunities include:

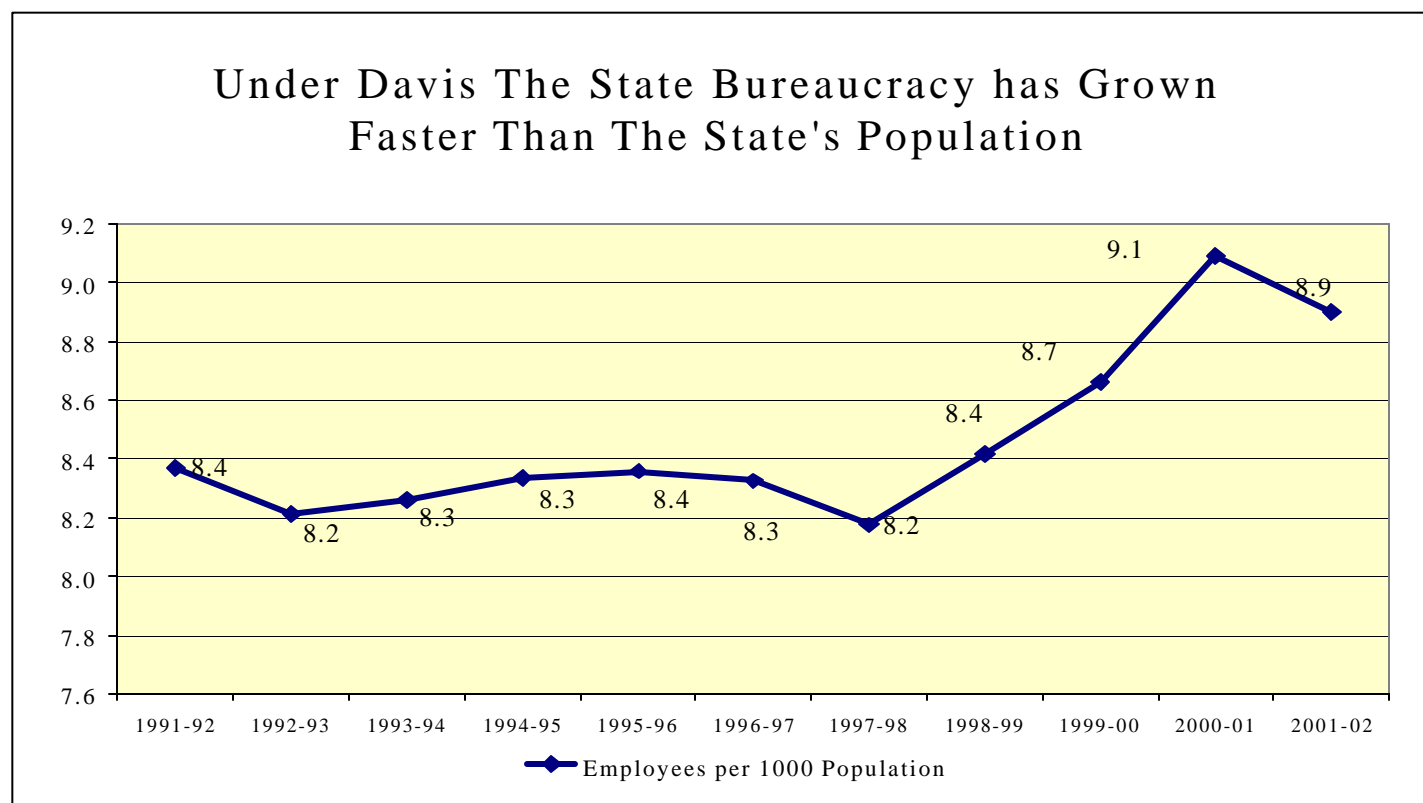
- **Sales Tax Increase.** SB 75 will raise the state sales tax rate from 4.75 percent to 5 percent on January 1, 2002. This will result in about a \$1.2 billion annual tax increase on all Californians.
- **Senior Citizens Property Tax Increase.** SB 75 reduces property tax assistance to senior citizens and disabled people in the state by \$265 million.
- **Elimination of the Manufacturers' Investment Credit (MIC).** SB 75 eliminates the proposed increase of the MIC from six to seven percent. This proposal would have provided additional credits of \$70 million in 2001-02, \$90 million in 2002-03, and \$95 million in 2003-04.
- **Back to School Tax Back On.** SB 75 eliminates the proposal to provide \$27 million in tax relief to California citizens in 2001-02 who need to provide for their school age children.
- **Software Developers Tax Credit Eliminated.** SB 75 eliminates the proposal to provide \$500,000 in additional credits in 2001-02.
- **Space Launch Tax Incentives Eliminated.** SB 75 eliminates the proposal to expand this exemption by \$6.3 million in 2001-02, \$2.6 million in 2002-03, and \$0.8 million in 2003-04.

- **Employer Transit Pass Tax Credit Eliminated.** SB 75 eliminates the proposal which would have provided \$3 million in credits to employees in 2001-02, \$3 million in 2002-03, and \$4 million in 2003-04.
- **Loaned Teacher Tax Credit Dismissed.** SB 75 eliminates the proposal to provide about \$1 million in credits per year to professionals who leave their companies temporarily to teach in public schools.

GROWTH IN BUREAUCRACY

TOM SHEEHY AND DAVE HARPER, PRINCIPAL CONSULTANTS

FIGURE 2



As Figure 2 shows, the number of state employees per 1,000 state residents has grown substantially in recent years and the total increase during the Davis administration is substantial – from 8.4 state workers for every 1,000 residents in 1998-99 to 8.9 in 2001-02

- **Budget Funds Thousands of “Phantom” Employees.** Even though Senate Republicans have clearly demonstrated that there are thousands of fully funded, yet vacant positions in state government, SB 75 fails to address this issue at all. Senate Republicans have made recommendations to cut 5,622 vacant positions and save tax payers over \$800 million in General Fund and various Special Fund accounts. SB 75 fully funds over 10,000 excess vacant positions which if eliminated from the budget, would add up to \$400 million to the General Fund reserve. In addition, the Davis administration has also dramatically increased the cost of the state’s bureaucracy. When Governor Davis took office, the total budget for the bureaucracy (“state operations”) was \$28.1 billion. In the Conference version of the Budget, this cost for 2001-02 will rise to \$37.7 billion, an increase of nearly \$ 9.1 billion, or 32 percent.

HEALTH & HUMAN SERVICES EXPANSIONS

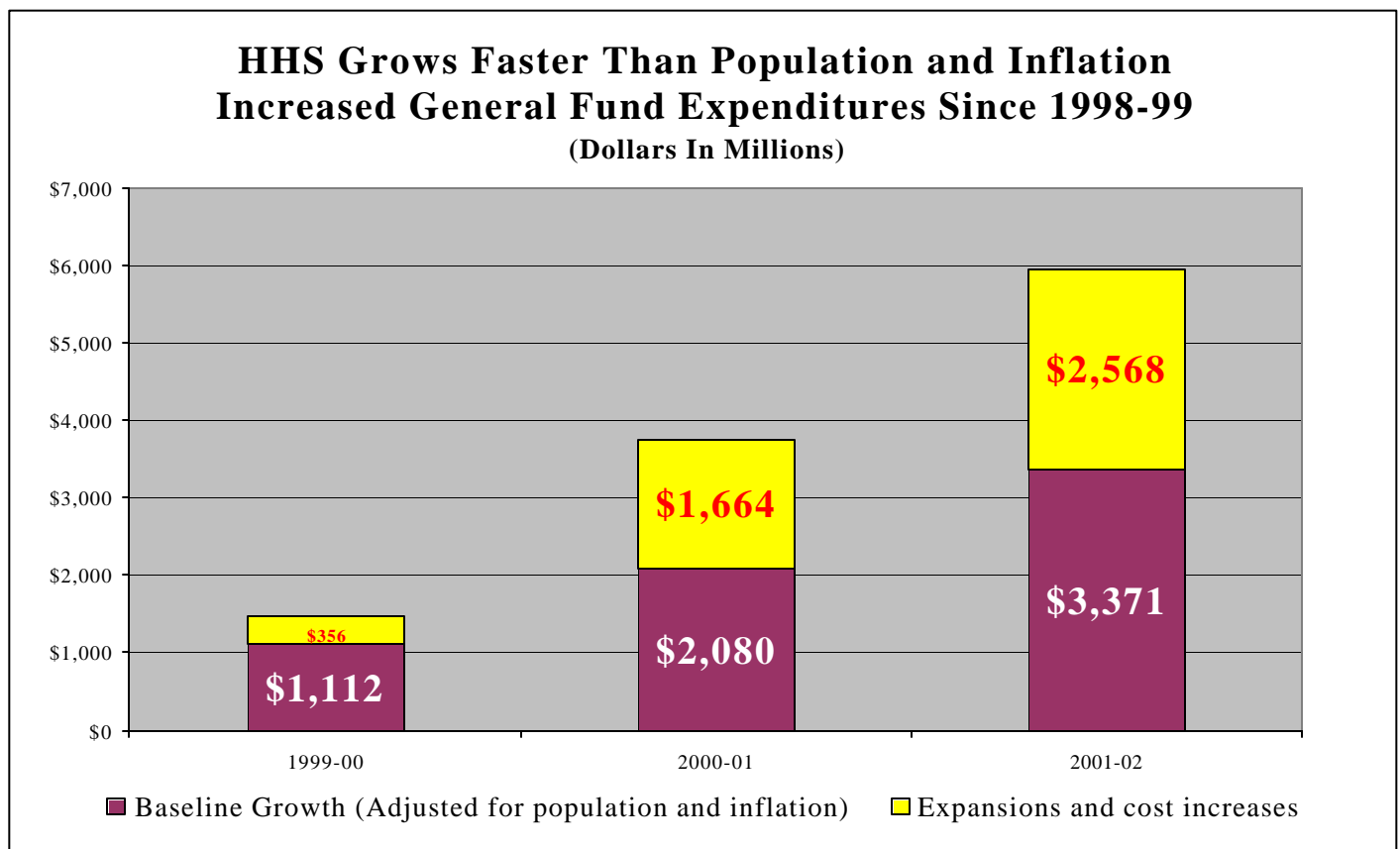
SHARON BISHOP, PRINCIPAL CONSULTANT FOR HEALTH; THERESE TRAN, CONSULTANT FOR HUMAN SERVICES

Overview of Health and Human Services

The Budget proposes \$54.8 billion for Health and Human Services (HHS) programs, of which \$22.5 billion is General Fund and Tobacco Settlement Fund, \$27.8 billion is federal funds, and \$4.5 billion is other special funds. This represents a total fund increase of \$13 billion, 31 percent over the budget for this area in 1998-99, which was the last year of the previous administration. The increase in General Fund and Tobacco Settlement Fund spending amounts to \$6.4 billion, or 32 percent in the three years of the Davis Administration. This compares to a 29 percent increase in General Fund Proposition 98 spending for this administration.

This budget marks the third year in a row of major expansions in the Health and Human Services area. While the success of federal welfare reform enacted in 1996 has kept welfare spending from out-pacing inflation and population, the Health portion of the budget has grown far more than can be explained by population growth and inflation. Figure 3 shows the growth in General Fund expenditures for HHS since 1998-99. Based on data provided by the Legislative Analyst's Office, the figure shows both "baseline" spending (what spending would have been if the only changes since 1998-99 had been due to population growth and inflation) and spending for program expansions and cost increases. The figure shows that \$2.6 billion, or 43 percent of the increase has been due to expansions and cost increases over and above what can be attributed to population and inflation.

FIGURE 3



Health Services

- **Healthy Families Program Expansion.** The Budget includes \$114.2 million (Tobacco Settlement Fund) to expand the Healthy Families program, of which (1) \$61.8 million is for extending coverage to parents of eligible children in families with income up to 250 percent of the federal poverty level and (2) \$52.4 million is for the children's program. *The true cost of these expansions are not fully reflected in the Budget because implementation of the parental expansion is being delayed by three months to October 1, 2001, and the actual expansion will be phased in over several years.* Projected General Fund expenditures for budget year plus one and budget year plus three are \$212 million and \$325 million respectively for the expansion to cover parents.
- **Outreach.** The Budget includes \$49.6 million for Healthy Families/Medi-Cal for Children Education and Outreach, which is a 45-percent increase in spending over the current year. However, this is not the full picture on the Outreach budget. An additional \$22 million (\$2 million current year rollover) will be allocated to the counties, and these funds will be matched with an additional \$6.8 million, which will bring the total expenditures for the budget year to almost \$80 million.
- **New Medi-Cal Program Expansions.** The Medi-Cal Program, which is an entitlement, was expanded by eliminating the 10-day exception reporting requirement ("continuous eligibility" for 12 months); allowing "presumptive eligibility" in selected cases; and approving an "accelerated application" process, including allowing the "self-declaration" of income.
- **Breast and Cervical Cancer Treatment..** The Budget includes funding for a new federal Medicaid option to expand breast and cervical cancer treatment for women with incomes up to 200 percent of the federal poverty level. Undocumented women could receive treatment under a state-only component of the program. Budget-year costs will exceed \$20 million for a mid-year implementation. The Administration previously estimated the full-year cost of implementing the federal option to be almost \$100 million.
- **Universal Health Care.** The Budget includes increased expenditure authority for federal grant funds of \$1.2 million (for both the current year and the budget year) to develop options for implementing a universal health care system in California.
- **Tobacco Settlement.** The State expects to receive \$475 million in the budget year, with a like amount going to the counties. Unlike past years, the Budget establishes a special fund in which to deposit these revenues and to use the funds for health care expansions. Previous years' revenues have gone directly into the General Fund and were not targeted to any specific programs. In the budget year, a portion (\$401.9 million) of the Tobacco Settlement revenues will be used as follows: (1) \$114.2 million for Healthy Families Program expansions (see above); (2) \$175.3 million for the ongoing costs of previous-year Medi-Cal eligibility and benefit expansions and for a the state share of the new Medi-Cal breast and cervical cancer treatment program; (3) \$9.1 million for *state-only* breast and cervical cancer treatment; (4) \$20 million for prostate cancer treatment; (5) \$20 million for youth anti-tobacco program expansion; and (6) \$63.3 million for the Child Health and Disability Prevention (CHDP) Program.
- **Minimal Return on Fraud Prevention Efforts.** Even though the Department of Health Services was given over 240 new positions in the last two years to attack over \$1 billion in Medi-Cal provider fraud, the Budget only reflects \$80 million (\$40 million General Fund) in savings and an additional \$50 million (\$25 million General Fund) in cost avoidance.

- **Fee Increase -- Vital Record Improvement Program (VRIP)** – Budget trailer bill language raises the current \$2 fee to \$3, and increases the base amount going to the State Registrar from \$0.90 to \$1.35 for each fee collected.. The language expresses legislative intent that funds be used “to enhance services, to improve analytical capabilities of state and local health authorities in addressing the health needs of newborn children and maternal health problems, and to analyze the health status of the general population.” The language also states that these funds cannot be used to supplant funding in existence on January 1, 2002.
- **Fee Increase – Large Water Systems (Safe Drinking Water).** Budget trailer bill language deletes the January 1, 2002 sunset on fees and increases fees from \$4.9 million to \$7 million, and provides that these fees may be increased by up to 5 percent per year beginning in fiscal year 2002-03.
- **Child Health and Disability Prevention (CHDP) Program.** The Budget includes \$6.7 million General Fund to increase the frequency of CHDP screenings. Budget trailer bill language permits these health screening and evaluation services to be provided at the frequency recommended by the American Academy of Pediatrics and immunizations to be provided at the frequency recommended by the Committee on Infectious Disease of the American Academy of Pediatrics of the Centers for Disease Control and Prevention. Some Republican Members are concerned that the broad standards of the American Academy of Pediatrics (which are very invasive) could be the next step.
- **Primary Care Clinic Grants.** The Budget includes an augmentation of \$2 million General Fund so that clinics can receive a minimum annual allocation of \$75,000. Budget trailer bill language specifies that, to the extent funding is available, this base funding level will be applicable to all sites funded in the prior fiscal year. This will create increased pressure on the General Fund in the future.
- **Community Treatment Facilities.** The Budget includes increased funding of \$1.4 million General Fund to provide a supplemental rate of \$2,500 per month per child in these types of placements. Budget trailer bill language requires a 60 percent county match and specifies that there is no federal financial participation. The budget-year caseload is estimated at 100 children, but the trailer bill language provides authority for up to 400 placements. There is likely to be significant out-year costs, and there is a potential for a budget-year deficiency.
- **Managed Health Care.** The Budget includes a \$1 million (Managed Care Fund) augmentation to conduct education efforts, training classes and other activities to educate consumers, providers, and consumer advocacy groups about the new Independent Medical Review process. Under this system, a health plan enrollee has the right to have a physician not affiliated with the health plan review certain types of plan decisions, concerning such things as medical necessity, experimental therapies, and denied claims for medical services. The Budget also includes an augmentation of \$600,000 (Managed Care Fund) for additional resources to conduct more frequent financial reviews of health plans. The Knox-Keene Health Care Services Plan Act requires that HMOs regulated by the Department of Managed Health Care must undergo a financial examination at least once every five years.
- **Sunset of Transitional Inpatient Care (TIC).** The Budget includes funding to cover the higher cost of care that will result from allowing the TIC Program to sunset. The General Fund cost for the budget year will be \$17.4 million. The sunset will sanction the practice of keeping patients in an acute care setting when they could be transitioned to a community placement at a much lower cost. Such practice may be in conflict with the stated Section 1115 Waiver goal of increasing outpatient care facilities in Los Angeles County.

- **Drug Rebates.** The Medi-Cal Local Assistance budget was reduced by \$23.5 million General Fund on the assumption that the Department of Health Services (DHS) will be able to collect more rebates from drug manufacturers. The Department of Health Services will also be authorized to conduct the contract negotiations for CMSP counties to get them better prices.
- **The DSH “Rake Off” Continues.** The Budget retains \$29.7 million General Fund for expenditure at the state level rather than distributing these funds to public and private hospitals. The Disproportionate Share Hospital (DSH) Payment Program was established in 1991. Under this program public hospitals transfer funds to the state to be matched with federal funds and distributed to public and private hospitals that serve a disproportionate share of Medi-Cal recipients. To offset administrative costs, the state has been “raking off” a portion of the almost \$2 billion California has available for expenditure each year, a practice that was started to deal with an earlier fiscal crisis. The state administrative “fee” reached a high of \$239.7 million in 1995, and has been reduced incrementally each year by the Legislature.
- **Developmental Disabilities -- Accountability Tools.** Budget actions rejected the Governor’s proposal to eliminate the sunset on Regional Center expenditure plans. Without this provision, Regional Centers will not be required to live within their appropriation in times of fiscal crisis.
- **Republican Priorities Not Addressed.** The Joint Republican Caucus put forward a proposal to increase Medi-Cal reimbursement rates by 25 percent across-the-board. Current rates for physician payments average 50-60 percent of Medicare rates, and are far below commercial rates. Rates need to be high enough to encourage providers to care for Medi-Cal recipients. The budget does include \$92.8 million (\$46.1 million General Fund) for a 2.15 percent increase for Long-Term Care.
- **Growth in Bureaucracy.** The Budget includes 26 new permanent state staff positions and over \$500,000 to pay for Managed Risk Medical Insurance Board (MRMIB) to move to a new, larger location.
- **Health Insurance Portability and Accountability Act (HIPAA).** The Budget includes \$47.5 million (\$13.7 million General Fund) to fund for six months state staff positions in various departments. The balance of funds will be included in SB 456 (Speier).
- **Trauma Care (EMSA).** The Budget establishes a new special fund and appropriates \$25 million General Fund for increased trauma care services and \$5 million General Fund (one-time) for the development of local emergency medical services plans. A minimum level of funding will be distributed to existing trauma centers based on their level of care.
- **Single Point-of-Entry.** The Budget includes \$12.2 million General Fund for the Department of Health Services and the Managed Risk Medical Insurance Board to designate a single point-of-entry as the centralized processing entity that accepts and screens the joint application for the Healthy Families and Medi-Cal Programs. The state will actually end up paying twice for thousands of applications that will be screened once at the Single Point-of-Entry (at a cost per unit of almost \$60) and again when the vast majority of the applications (i.e., those not eligible for the Healthy Families Program) are forwarded on to individual county welfare departments for Medi-Cal eligibility determinations.
- **Clinic Augmentations.** The Budget includes a \$16 million General Fund augmentation for various types of clinics: \$2 million each for (1) Rural Health Services, (2) Seasonal, Migratory Worker, and (3) Indian Health and a \$10 million augmentation for Expanded Access to Care (EAPC) Clinics.
- **Institutions for Mental Disease, Ancillary Services.** The Budget provides \$19.6 million General Fund to cover the costs of these services that are not allowable under federal financial participation rules. Previously, counties were responsible for these costs.

- **Major Risk Medical Insurance Program (MRMIP).** The Budget provides a \$5 million General Fund augmentation for the MRMIP so that additional uninsurable persons may be covered.
- **Monitoring & Oversight of Healthy Families and Medi-Cal Applications.** The budget provides an augmentation of \$1 million General Fund for quality controls reviews of the eligibility process.
- **Oral Health Needs Assessment.** The Budget provides \$500,000 in expenditure authority and a General Fund appropriation of \$250,000 to conduct another survey. With fiscal resources so scarce, it might have been preferable to fund additional services.
- **Rural Health Demonstration Projects.** The Budget provides an additional \$4 million General Fund for projects in Health Services and MRMIB.
- **Baseline Wage Adjustment.** The Budget includes \$2.6 million (\$2.335 General Fund) to provide \$0.41 per hour over the minimum wage for respite workers and nonmobile day programs.
- **Mental Health Advocacy Commission.** The Budget includes \$350,000 General Fund for a new commission consistent with AB 1422 (Thomson).
- **Mental Health Respite Care Pilot.** The Budget was augmented by \$2 million General Fund to begin a new pilot project that will create added General Fund pressures in the future.
- **Mental Health Adult Systems of Care.** The Budget includes a \$10 million General Fund increase to expand programs begun in the current year that have not been fully implemented or evaluated.
- **Bi-national Migrant Health Initiative.** The Budget includes \$1 million General Fund to be used as follows: (1) \$720,000 for health education, promotion, technical assistance and training; (2) \$200,000 for drinking water program guidelines and environmental epidemiology; and (3) \$80,000 for the bi-national migrant health week.
- **Long-Term Care Supplemental Wage Pass-Through.** The Budget provides \$14 million (\$7 million General Fund) that will only go to facilities that have a collectively bargained contract or a comparable, legally binding written commitment to increase wages or benefits.
- **Healthy Families Program to be Fully Funded.** The Budget expresses legislative intent (BBL) that the Healthy Families Program be fully funded to provide health care services for all enrolled families (parents and children), thus moving Healthy Families closer to being an entitlement program.
- **Two-Month Bridge.** The Budget includes almost \$4 million General Fund to provide two months of eligibility for persons moving from Healthy Families to Medi-Cal or from Medi-Cal to the Healthy Families Program.
- **Multiple Sclerosis Project.** The Budget reappropriates \$250,000 for this project, which has not yet started despite the fact that the funds were available for the entire current year and the Department of Health Services had the authority to enter into a sole-source agreement with UC.
- **Farmworker Health.** The budget includes \$50,000 General Fund for the Department of Health Services to survey the health of farmworkers in California.
- **Accelerated Medi-Cal Eligibility for Children in Foster Care.** The Budget includes \$250,000 General Fund to make the administrative changes necessary to remove any indication of third-party insurance on a foster child's Medi-Cal card.

- **AIDS Drug Assistance Program (ADAP).** The Budget includes an augmentation of \$12.8 million (\$15.3 million General Fund, \$1.3 million drug rebates, and a reduction of \$3.8 million federal funds) to provide full funding for this, yet another “non-entitlement,” program.
- **Childhood Lead Poisoning.** The Budget includes \$2.8 million (\$1.4 million General Fund) to educate parents on lead poisoning and to ensure that lead screens are performed. The Budget was also augmented by \$2 million (special funds – manufacturers’ fees) for local lead abatement enforcement.
- **Outpatient Rate Supplement.** The Budget includes a separate augmentation of \$2 million (\$1 million General Fund) for small and rural hospitals. This is in addition to the \$350 million (\$175 million General Fund) included in the Budget for the Orthopedic Hospital Settlement.
- **Federally Qualified Health Centers (FQHCs).** The Budget includes an augmentation of \$5.1 million so that clinics can *choose* the higher of two payment rates. The federal government is requiring states to change to a prospective payment system or to select an approved alternative payment system. Many clinics wanted the alternative system to be the status quo, which is cost-based reimbursement. The Budget provides the above funding to fully reimburse clinics for their reported (unaudited) costs during the phase-in to the prospective payment system.
- **Multipurpose Senior Services Program (MSSP).** The Budget includes an increase of \$3.1 million (\$1.5 million General Fund). These funds are budgeted in the Department of Health Services in order to draw down matching federal funds, but the services are delivered through the Department of Aging.
- **Women, Infants, and Children (WIC) Program.** The Budget includes an augmentation of \$1.7 million (\$500,000 General Fund) to expand the WIC Farmer’s Market program.
- **“Health-e App”.** The Budget provides an increase of \$1.3 million (\$240,000 General Fund) to conduct an eight-county pilot project for implementation of the “Health-e App” process, which will expedite enrollment in the Medi-Cal and Healthy Families Programs.
- **Access for Infants and Mothers (AIM) Program.** The Budget includes an increase of \$3.6 million (special funds) to provide full funding for this, yet another “non-entitlement,” program.
- **Affordable Housing.** The Budget includes an augmentation of \$2.9 million (special funds) for an affordable housing program for persons with developmental disabilities.
- **Regional Centers – Special Incident Reporting.** The Budget includes \$9.2 million (\$7.4 million General Fund) for increased Regional Center staffing to implement a special incident reporting system.
- **Other Gynecological Cancers.** Budget trailer bill language was adopted that expresses legislative intent that the Department of Health Services create a process by which noncervical gynecological cancers can be included under the Breast and Cervical Cancer Treatment Program (referred to as the Breast and Gynecological Cancer Treatment Program in the language). DHS would be required to prepare a comprehensive fiscal analysis to expand treatment services. This language will result in future pressure on the General Fund to cover these services. Federal law does not provide for such coverage at this time.
- **Traumatic Brain Injury.** The Budget includes a one-time only \$1.4 million (special funds) augmentation to provide additional services.

Human Services Issues

- **Undermining Welfare Fraud Detection Efforts:** Current state law and regulations require applicants and recipients of CalWORKs and foodstamps to be fingerprint imaged as a condition of eligibility. This requirement is intended to deter, prevent, and detect fraudulent duplication of aid. Trailer bill language was adopted to exempt adults who are themselves ineligible for aid but who receive benefits on behalf of their children from this requirement. According to the Department of Social Services, this proposal would exempt 30 percent of the fingerprinted population and would seriously hamper their welfare fraud prevention efforts. The great majority of adults who would be exempted are illegal alien parents of children born in this country.
- **Extension of Time Limit for CalWORKs Employment Services:** Trailer bill language was adopted to extend the employment services time limit for CalWORKs recipients. This would likely result in increased costs and could be interpreted as a fundamental change to welfare reform.
- **Expanded Eligibility for CalWORKs and Food Stamps:** Trailer bill language was adopted to expand CalWORKs and food stamps eligibility by allowing recipients to own one vehicle of any value and another vehicle of \$15,000 or less, and still qualify for aid. This change in vehicle asset law could cost upwards of \$30 million annually.
- **Cash Assistance and Food Stamps for Legal Immigrants:** Trailer bill language was adopted to continue cash assistance for elderly, blind and disabled legal immigrants, and food stamps for low-income legal immigrants who entered the country after August 1996. The budget includes \$23 million for these two programs. The out-year costs are estimated to be in excess of \$100 million, and would be borne entirely by the General Fund.
- **Transitional Food Stamps Benefits:** Budget bill language was adopted requiring the Department of Social Services to present a proposal for providing food stamps benefits to former CalWORKs recipients. This study will undoubtedly create pressure for further expansions of the food stamps program.
- **CalWORKs County Performance Incentives.** Under the existing CalWORKs structure, counties are rewarded with fiscal incentives for reducing welfare caseloads and diverting potential recipients from coming onto aid. For fiscal year 2000-01, the budget provides \$250 million in county incentives. However, trailer bill language was adopted to eliminate the entire current-year appropriation. The Budget includes \$20 million for performance incentives. Counties are concerned that lack of funding may signal future intent to eliminate fiscal incentives altogether. The performance incentive is a critical feature of welfare reform because it encourages counties to find innovative ways to curtail welfare growth and keep people from coming onto aid.
- **In-Home Supportive Services (IHSS).** The IHSS program provides domestic and personal care services (i.e., meal preparation, bathing, etc.) to eligible elderly and disabled persons to help them remain in their homes. Current law requires the State to fund additional wage increases in the program only if General Fund revenue growth exceeds 5 percent (trigger). The Budget deletes the trigger requirement and provides a \$57 million General Fund augmentation for IHSS wage and benefit increases.
- **Welfare for Child Abusers.** Currently, CalWORKs cash assistance and services end 30 days after a child or children have been removed from the home due to abuse or neglect. The children receive aid and services through the foster care and child welfare programs. Trailer bill language was adopted to allow these abusive parents to continue to receive CalWORKs services, including a welfare grant, for 180 days

on the assumption that this may help to reunify families. Since these cases often involve drug addicted parents, it is likely that some of this newly available welfare will be used to purchase drugs or alcohol.

- **Child Welfare Services Augmentation.** Both houses denied the May Revise proposal to reduce child welfare services funding by \$13 million General Fund for the cost of doing business. In addition to this, both the Senate and the Assembly augmented by \$25 million. Thus, the Budget includes a \$38 million General Fund augmentation for child welfare services.
- **Foster Care Augmentation.** The Budget includes an augmentation of \$18 million General Fund to implement legislation proposed by the Assembly related to foster care. Of this amount, \$8 million is for emancipation services and \$10 million is for transitional housing.
- **Child Care Caseload Growth.** The Budget proposes a \$177 million General Fund increase for child care spending. This constitutes a 14 percent increase over the current-year budget.
- **Child Care for Stage 3 Moving Towards Entitlement.** Child care funding is separated into three Stages. Stages 1 and 2 provide services to CalWORKs families. Stage 3 serves former CalWORKs and working poor families, and is not considered an entitlement program. The budget includes a redirection of \$66 million of Proposition 98 funds (which could be used to fund other education priorities such as equalization) to fully fund the estimated Stage 3 caseload. This attempt to fully fund Stage 3 sets a precedent for entitlement.
- **Redirection of Employment Training Tax Funds for CalWORKs Employment Services.** The budget siphons \$61.7 million from employer tax collections intended to support employment training programs and transfers the funds to the Department of Social Services to fund CalWORKs employment services. Additionally, current law provides this tax will sunset on January 1, 2002. However, trailer bill language was adopted to eliminate the sunset and continue collection of this tax in perpetuity.
- **Infrastructure Funding for Food Banks.** The budget includes \$2 million General Fund for the purchase or enhancement of food bank infrastructure, including refrigerators, transport trucks, etc. Last year, the augmentation was also \$2 million for infrastructure, of which \$1 million was vetoed by the Governor.
- **Reduction in funding for Adult Protective Services.** The budget proposes to reduce funding for Adult Protective Services by \$18 million General Fund. This program, which helps protect California's seniors from exploitation, neglect, and abuse, has traditionally been supported by Republicans.
- **State grants for adult day care and support services.** The budget includes \$467,000 General Fund for start-up grants for programs which provide non-medical services to seniors. Although these grants are intended to be one-time, this proposal will result in pressure to continue General Fund commitment in future years at potentially significant costs.
- **Assistive technology funding.** The budget includes \$3.2 million to increase information and referral services for persons with disabilities in need of an assistive technology (i.e., glasses, hearing aids, voice-activated computers, etc.) to improve their quality of life and/or independence.
- **Drug and alcohol treatment for youth.** The budget includes \$5.7 million augmentation for drug and alcohol treatment for youth.
- **Drug court funding.** The budget includes \$8.5 million augmentation for drug courts.

- **Codification of SB 5X.** Trailer bill language was adopted to codify provisions contained in SB 5X (Chapter 7, Statutes of 2001). Among other things, SB 5X appropriated \$120 million from the General Fund for low-income energy assistance. Codification of these provisions will result in pressure to continue this General Fund commitment in future years.
- **Faith-based Employment Services Funding.** The budget includes continuation of \$5 million for faith-based organizations to provide employment services.
- **Labor Bureaucracy Grows.** The budget includes \$4.9 million for 72 new positions at the Department of Industrial Relations to enforce labor laws. This department has historically run excess vacancies of about 300 positions.
- **Veterans' fees for nursing care:** Existing law requires members of veterans' homes to contribute to their cost of care, specifically the lesser of 55 percent of their annual income or \$1,200 per month. Senate Bill 597 (Chesbro) would decrease amount of member contribution to 40 percent. The estimated cost to backfill this revenue loss is \$2.3 million annually and rising thereafter. The budget includes an augmentation of \$1.15 million to partially backfill the revenue loss.
- **Staffing augmentation despite excess vacancies.** The budget includes \$531,000 General Fund to fund five additional legal staff at the Department of Social Services. As of April 1, 2001, this department had 260 excess vacant positions.

EDUCATION

ROGER MACKENSEN, CONSULTANT

Proposition 98 Overview

- **Current Year.** For 2000-01, total General Fund Proposition 98 appropriations are proposed at \$30.4 billion, \$414 million above the minimum guarantee.
- **Budget Year.** For 2001-02, total General Fund Proposition 98 appropriations are proposed at \$32.1 billion, \$4.1 billion above the minimum guarantee established by Proposition 98 Test 3 factors. This funding is still \$1.3 billion *below* the Test 2 level and will have to be repaid in future years (this amount is referred to as the "maintenance factor").
- **Education the Top Priority?** While a \$4.1 billion over-appropriation of Proposition 98 appears generous, a better indication of the priorities set forth in SB 75 is provided by looking at the percentage of General Fund revenue devoted toward K-14 education. SB 75 proposes to spend 40.5 percent of General Fund revenue for Proposition 98. In contrast the 1998-99 budget made education a much higher priority, providing 43.2 percent for K-14 education. In addition, as noted in the Health and Human Services section (above), the Davis Administration's three-year increase in Proposition 98 funding, assuming the SB 75 amounts, is 29 percent, which is *less than* the 31 percent increase in Health and Human Services programs.

TABLE 1

Summary of SB 75 Treatment of Governor Davis' K-12 Education Proposals
(Dollars in millions)

Proposal	January Budget	Change	SB 75
Longer Year for Middle School	\$100	(100)	--
Math and Reading Professional Development	335	(255)	80 ^{/1}
Principal Training	15	--	15
Algebra Initiative	30	(30)	--
Student Testing Workbooks	28	(25)	3 ^{/1}
API Data Analysis Software	20	(20)	--
High Tech High Schools	20	10	10
Math and Science Challenge Grants	5	(5)	--
Student Achievement Monitoring	5	(5)	--
TOTAL	\$558	(450)	108

^{/1} Funding shifted from ongoing to one-time, despite ongoing nature of program.

K-12 Education

- **Calls for Equalization Ignored – Unfair Funding Formula Remains.** This budget fails to recognize the inequities in school funding formulas, including nothing for equalization despite both houses approving equalization in their respective budgets. The Senate version included \$9 million for county office of education equalization; it was deleted. The Assembly version included \$37 million for school district equalization – and the Republicans requested \$363 million more. Despite bipartisan interest, SB 75 includes no funding for equalization.
- **Per Pupil Funding.** SB 75 cuts budget year Proposition 98 per pupil funding 2.4 percent below the level proposed in January, to \$7,006 per pupil. While still 4.9 percent higher than the level provided in the 2000-01 Budget Act, the cuts from January call into question commitments made to make K-12 education the top priority.
- **Governor's Initiatives.** While this Legislature rightfully deleted funding for a number of the Governor's education initiatives – including his weak cornerstone, the Longer Year for Middle School proposal and the Math and Science Challenge Grants – this budget does fund others. Table 1 above displays how SB 75 deals with the Governor's initiatives introduced in January. Some of the questionable programs that *are* funded include \$10 million for High Tech High Schools and \$15 million for the Nell Soto Parent/Teacher Involvement program, which was created in 1999, and has never been evaluated.
- **School Energy Costs.** The May Revision included \$541 million intended to help schools pay for increased energy costs and conservation but actually available for any one-time purpose. SB 75 includes steep reductions – made with the Governor's blessing – to this discretionary block grant. The budget now includes only \$250 million. This funding is to be allocated on a per pupil basis, without regard to cost factors such as climate or service provider.
- **Low Performing Schools Proposal.** In May, the Governor proposed \$220 million for block grants to low-performing schools that agree to take specific steps to improve. SB 75 provides \$200 million for this purpose to be allocated pursuant to legislation. Whether this \$200 million is a worthy expenditure depends on the details of the low-performing schools bill: will it require real reforms, incentives, and

accountability so that our schools no longer leave children behind? Or will it simply be another feel-good spending plan papering over with taxpayer dollars the systemic problems that too few are ready to honestly confront.

- **Sledgehammer Raised Over Charter Schools.** One day before the conference committee took its last actions, the Democrats revealed trailer bill language that threatens the very soul of charter schools: educational innovation providing new opportunities for students to succeed. This language would, over a three-year period beginning in 2001-02, reduce funding by 30 percent for charter schools offering non-classroom instruction. Ostensibly, the language simply recognizes the supposed lower costs of providing non-classroom instruction since no school site costs need to be paid. However, this language does not apply to “regular” schools offering non-classroom study; in fact, it is merely a narrow attempt to shut down certain charter schools. What do charter schools get for having someone sell their souls? \$750 per student for site-based charter schools in poor areas to lease or renovate facilities: an attractive offer, but at an unacceptable price.
- **Legislative Augmentations.** SB 75 includes \$35 million to freeze school districts’ PERS offset and \$35 million to expand after school programs and create a new before school program.
- **Obligations to Schools for Mandates Zeroed-Out.** SB 75 zeros-out \$287 million in obligations to local education agencies for the costs of implementing programs mandated by the Legislature but never funded. \$224 million of this cut is for the costs of school districts to provide increased school bus driver training. These costs will have to be repaid in the out years. (It should be noted that the budget does fund over \$165 million in other school mandates.)
- **Funding Shifts Create One-Half Billion Dollar Out-Year Budget Hole.** Using some of the one-time savings captured by cutting mandate payments, the conference committee took action to fund the Governor’s Math and Reading Professional Development program (\$80 million), PERS reduction (\$35 million), the annual per pupil block grant (\$68 million), the K-12 Mentoring program (\$10 million), and some community college programs (\$74 million). Because these are ongoing programs proposed now to be funded with one-time money, this action creates a budget-year-plus-one hole of \$267 million. Moreover, when added to the mandate funding that was cut to pay for these ongoing programs, the out-year obligation doubles to \$534 million.
- **School Safety Funding Shifted to One-Time.** The May Revision proposed increasing ongoing funding for school safety block grants by \$10 million. SB 75 instead makes this a one-time expenditure, hampering schools from committing to long-term safety solutions, especially those involving hiring counselors or law enforcement officers for campuses.
- **School Attendance Audits.** SB 75 includes \$3 million for the state to continue audits of school district attendance accounting that have been widely portrayed by schools – and Democrats – as heavy-handed and unfair. The conference committee first deleted the funding, but later restored it under very intense pressure from the administration. It is interesting to ponder what was so important to compel the majority to backtrack on this issue. For the record, all the Democrats voted to continue the audits, and the Senate Republican conferee opposed the funding.
- **Algebra Academies Dropped.** The Governor’s Budget included \$30 million for school districts to increase the quality of their algebra programs and to provide instruction for more pupils in recognition that they will soon have to pass the High School Exit Exam. SB 75 dropped all funding for this program.

- **Testing Workbooks Cut Back.** Also in the Governor's Budget was a proposal to provide \$28 million so that each child could have a workbook to help prepare for the High School Exit Exam and the STAR test. These workbooks were to have had sample questions and would have been the child's to write in and keep. In the end, SB 75 includes only \$3 million for Exit Exam workbooks.
- **Rewards for Teachers Cut.** SB 75 cuts \$70 million from the teacher rewards incentive program, calculating budget year rewards at their current year formula of \$63 per pupil, rather than the \$150 per pupil permitted by law.
- **Some Worthy Programs Funded Amid Cuts.** Among the cuts, shifts, and deferrals, SB 75 does include funding for some promising new programs. For example, a badly needed, new principal training program will receive \$15 million, funding for career and technical training is provided at \$8 million, and Regional Occupational Centers/Programs will get \$10 million for one-time equipment purchases.
- **Department of Education Excess Vacancies Restored.** Reacting to pressure from Senate Republicans, the January budget cut 37 excess vacant positions from the Department of Education. The conference committee voted to restore those positions without any consideration as to need, thus serving an example of how excess vacancies are created.

Higher Education Overview

In Spring 2000, the Governor entered into a Partnership Agreement with the California State University (CSU) and the University of California (UC) that outlined the administration's commitment to stable funding in return for a set of accountability principles from those two higher education segments. The universities were to receive ongoing, annual five-percent base budget increases, and the January Budget proclaimed that these "funding principles are critical to the systems' ability to plan for the dramatic enrollment growth expected in the coming decade." The accountability principles were to "ensure that the quality and vitality of programs are maintained."

Five months later, the May Revision slashed the "critical" five-percent base increase to two percent. While these combined cuts of \$160 million out of higher education may or may not be necessary, the Governor's abrogation of the Partnership calls into question the administration's credibility in making and maintaining long-term commitments.

In keeping with the theme of commitments broken, SB 75 proposes to reduce the percentage of Proposition 98 funding to community colleges to 10.26 percent. In January, the budget proposed a 10.27 percent split, maintaining the current year level. However, the May Revision reduced the split to 10.26 percent -- the lowest level in five years. These cuts are made in the context of state law requiring community colleges to receive 11 percent of the Proposition 98 pie and despite the Republicans' call last December to honor this statutory commitment.

Community Colleges

- **11 Percent Funding Target Missed.** In December, Republicans announced that providing community colleges with 11 percent of the Proposition 98 split was a top budget priority, consistent with state law. The January Budget proposed 10.27 % of Proposition 98 funds for community colleges. Despite many statements by conferees and others that community colleges were a priority, SB 75 further cuts into community colleges, providing only 10.26 % of Proposition 98 funding – the lowest level in five years.

- **2.5 Percent COLA for Partnership for Excellence.** The Partnership for Excellence (PFE) provides funding to community colleges in return for measurable outcomes with regard to community college core functions – for example, awarding certificates and preparing students for transfer. SB 75 contains a 2.5 percent COLA for this program. While no COLA is required by law and any increase is welcome, it should be noted that most other K-14 categorical programs received a 3.87 percent COLA.
- **No Funding for Nursing or Other Impacted Programs.** This budget fails to include additional funding needed to increase access to high-demand, impacted programs such as nursing. Community colleges offer two-year nursing degrees preparing students to become registered nurses, a shortage profession.
- **Part-Time Faculty Compensation.** SB 75 contains \$57 million to help make part-time faculty salaries more comparable to full-time faculty salaries for similar work, pursuant to collective bargaining. While salary issues could always be bargained anyway, this funding is likely to guarantee part-time faculty raises without any guarantee that instruction will improve. Moreover, full-time faculty and administrators are likely to seek salary increases as well, creating budgetary pressures for community colleges.
- **Energy Costs Paid.** SB 75 includes \$49 million for increased energy costs. \$23 million is to be allocated based on actual energy usage in the current year and \$26 million is to be allocated on the basis of an equal amount per square foot of facilities space. As with the energy funding for K-12 schools, the budget year allocations will be made without regard to climate or service provider.

California State University

- **Partnership Dissolved.** SB 75 sustains the Governor's cut of the higher education Partnership Agreement funding. Instead of the 5-percent base increase proposed in January, CSU will see only a 2-percent base increase, losing \$70 million in the split.
- **Enrollment Growth.** SB 75 includes \$62 million to fund enrollment growth of 3 percent plus \$16 million to fund over 3,000 students in year-round operations.
- **Libraries, Equipment, and Maintenance Cuts.** SB 75 includes \$20 million in cuts proposed in the May Revision for instructional equipment, deferred maintenance, and library materials that had been proposed for CSU in January.
- **Energy Costs.** SB 75 includes \$34 million for increased natural gas costs at CSU.

University of California

- **Partnership Dissolved.** SB 75 sustains the Governor's cut of the higher education Partnership Agreement funding. Instead of a 5 percent base increase as called for in the Partnership, UC, will see an only 2 percent increase. By this action, UC loses \$90 million.
- **Enrollment Growth.** SB 75 includes \$65 million to fund enrollment growth of 4.5 percent plus \$21 million to fund enrollments in year-round operations.
- **Energy Funding 25 Percent Less than Proposed.** The May Revision proposed \$101 million for higher natural gas costs at UC. SB 75 cuts this funding by \$25 million. This cut comes despite the original

figure being based on nine months of current-year data. It is unclear what effect this and the Partnership cut will have on UC's operations.

- **Libraries, Equipment, and Maintenance Cuts.** SB 75 includes the May Revision proposal to cut \$20 million in one-time funds that had been proposed for UC in January for instructional equipment, deferred maintenance, and library materials.
- **UC Merced and UCSF/Fresno Medical Center Costs Double.** SB 75 includes the Governor's plan to achieve "savings" by shifting \$159 million for UC Merced facilities from General Fund to lease revenue bonds, effectively doubling the cost of the buildings. SB 75 also shifted costs for the \$30 million UCSF/Fresno Medical Center from General Fund to lease revenue bonds.

California Student Aid Commission

SB 75 includes cuts of \$35 million – in both current year and budget year – from proposed new Cal Grant funding.

TRANSPORTATION, RESOURCES

ALEX ALANIS, CONSULTANT

- **Reneging on Transportation Congestion Relief.** The budget suspends for two years the dedication of gasoline sales tax revenue to the Transportation Investment Fund (TIF), and instead transfers it to the General Fund. It is estimated that gasoline sales tax revenue will generate \$1.06 billion in 2001-02 and \$1.18 billion in 2002-03. In the current year, the Budget would also revert to the General Fund any unspent funds for Traffic Congestion Relief Projects (TCRP), approximately \$238 million. The TCRP and State Transportation Improvement Plan (STIP) augmentations would be deferred for two years and extended to 2006-07 and 2007-08. For the two year suspension, the revenue dedicated for local streets and roads will be paid from the State Highway Account (SHA), and the Public Transportation Account (PTA) allocations will be paid from the State Transit Account (STA). These two programs will not participate in the two year extension of the TIF. The aforementioned actions require the approval of a trailer bill. *The budget conferees agreed to "consider" a Republican request for separate legislation to place a Constitutional amendment on the ballot that would permanently dedicate gasoline sales tax revenue to transportation (40 percent to highways, 40 percent to streets and roads, and 20 percent to the PTA) beginning in 2006.*
- **Contracting Out Uncertain.** The budget reduced the Governor's proposal for 801 additional contracting out personnel-year equivalents (PYE's) by approximately 315 PYE's and added them to Caltrans's bureaucracy. Although the budget does contain budget bill language that would give Caltrans the flexibility to contract out those 315 PYE's after they are unable to fill them, this would still contribute to slowing down project delivery.
- **Transit and Rail.** The budget contains a Governor's Budget proposal for \$18 million (PTA) for a rural transit system program to provide competitive grants for transit capital improvements. The program's criteria will be established in a trailer bill. It also funds a \$107.5 million (PTA) proposal for intercity rail service enhancements and capital improvements. The Governor's proposal that would have allocated \$48 million for the Pacific Surfliner was reduced by \$7 million to pay for rail member requests and to prevent a deficit in the PTA.

- **Member Requests.** The budget contains several General Fund and special fund augmentations for Democrat member requests, such as:
 - \$126 million General Fund for district specific projects
 - \$26 million General Fund for river parkway programs
 - \$35 million in Proposition 13 funds for beach cleaning projects
 - \$69.4 million in Proposition 12 funds for land acquisition projects
 - \$17.5 million in both Proposition 12 and 13 funding for acquiring property near Mill Creek in Del Norte County
 - \$15 million General Fund for a “urban parks initiative”
- **CALFED Overview.** The budget contains \$541.4 million (\$81 million General Fund) in state funds to implement the August 2000 Record of Decision. The proposal would spend more than half-a-billion dollars in state resources without a commitment from the federal government to participate in the program. Moreover, the program would contain only \$20 million for surface storage, and that is only for a study. Thus there is no real progress toward improving California’s protection against future droughts.
- **Air Resources Board.** The budget contains \$48 million for air pollution programs. The appropriation allocates \$16 million each to the Carl Moyer Program, school bus diesel emissions reduction program, and for a district compliance and emissions mitigation program to address emissions from standby diesel generators.

Also included in the budget is \$20 million from the Motor Vehicle Account for the Zero Emissions Vehicle (ZEV) program. This program allocates \$10 million for grants in the amount of \$5,000 to offset the cost of purchasing a ZEV. The remaining \$10 million would be available for grants in the amount of \$11,000 per vehicle used to subsidize the purchase or lease of zero emission vehicles that will be used in fleets. Currently, there are approximately 2,300 ZEV’s in California with an average cost of \$18,000 per car, which does not include the expensive home charger. This proposal would attempt to assist those who are interested in purchasing a ZEV to use the \$5,000 incentive to offset the cost. There are many problems with this proposal, but two in particular are worth noting. First, notwithstanding the \$5,000 incentive, the cost of purchasing a ZEV would still be high. If the intent of the program is to replace high-polluting vehicles with zero-emission vehicles, then the program will fall short of its goal. Mostly low income families drive high-polluting vehicles, and the \$5,000 incentive would still make the purchase of one of these vehicles unattainable. Second, California is the midst of an energy crisis, and thousand of additional ZEV’s charging throughout the day is antithetical to the Governor’s emphasis on energy conservation.
- **Department of Toxic Substance Control.** The budget siphons off \$33 million from the Cleanup Loans and Environmental Assistance to Neighborhood (CLEAN) Account and transfers it to the General Fund. The CLEAN account was created last year with an \$85 million General Fund appropriation and was supposed to be used for cleaning up brownfields. However, because the program does not have an accompanying insurance program, no funds have been expended for loans.
- **Energy.** The budget makes \$10 million General Fund available for loans to the California Consumer Power and Conservation Financing Authority Fund.

GENERAL GOVERNMENT, PUBLIC SAFETY

TOM SHEEHY, DAVE HARPER – PRINCIPAL CONSULTANTS

- **Democrats fire Local Police Officers** – Last year, the Legislature reached bipartisan agreement on a two-year COPS / Juvenile Justice proposal that provided \$121 million to increase the number of front line law enforcement personnel and \$121 million to develop community programs designed to reduce juvenile crime. SB 75 reneges on this agreement and reduces these two programs by \$10 million. As a result, law enforcement agencies throughout the state will be faced with the very real possibility of taking Police Officers off of the streets in order for legislative Democrats to fund their district “pork projects.”
- **Low Tech Equipment Grants** – Last year, Senate Republicans successfully negotiated \$75 million in Public Safety Technology Grants, with minimum grants of \$100,000 for each County Sheriff and City Police Chief. In January, the Governor proposed \$75 million to continue this program for a second year, maintaining the minimum grant feature. SB 75 incorporates the Governor’s revised proposal to reduce the funding for this program to \$20 million, and to eliminate the \$100,000 minimum grant feature. By eliminating the minimum grant and allocating these funds on a per-capita basis, the Governor will short change 95% of the law enforcement agencies in the state, and do little more than buy replacement batteries for the flashlights of police officers in cities like Fort Bragg, Buena Park, Tracy, Turlock and Folsom.
- **Massive Cut to Infrastructure Bank.** The Legislature enacted the Infrastructure Bank several years ago with about \$500 million in capital in order to address critical local government needs. Governor Davis backtracked on this commitment to local government infrastructure financing in the May Revision by transferring \$177 million of the Infrastructure Bank fund balance to the General Fund where he can use it to pay for social programs and bureaucrat salaries. SB 75 INCREASES this transfer to \$277 million! This action dramatically reduces the funds available for making low-interest loans to local communities for various capital projects and will be sorely missed in many communities around the state.
- **Higher Costs for State Infrastructure:** SB 75 will cost the state a tremendous amount more for infrastructure development in the future as a result of short-sighted decisions to shift from pay-as-you-go financing to far more costly bonds. The budget proposes to shift \$320 million in infrastructure projects from General Fund pay-as-you-go financing to lease-revenue bond financing. This shift, while “saving” General Fund dollars in 2001-2002 will actually cost the General Fund and taxpayers of the state far more over the next 20 years. By shifting to bonds, the actual cost for these projects over the next 20 years will be approximately \$629 million when all of the interest payments are taken into account. This essentially doubles the state’s cost to build these important projects.
- **Local Government Short-Changed By SB 75:** Despite the fact the State has ripped off billions of dollars from local government in ERAF funds over the last several years when there were huge budget surpluses, SB 75 includes nothing for local government. In fact, the Davis Administration proposed to delete the \$250 million in ERAF relief to local governments and to reduce \$55 million in law enforcement technology grants. SB 75 approves these reductions to local government and law enforcement. In addition, SB 75 cuts funding for the COPS/Juvenile Justice Programs.
- **Housing Programs Severely Gutted.** California is in the middle of a prolonged and severe housing crisis. At a time when California needs leadership in housing issues, this Governor has completely dropped the ball and is now back-pedaling on the few housing initiatives he has proposed since taking office.
- **Jobs/Housing Balance Improvement Program:** SB 75 eliminates a \$200 million augmentation for incentive grants to local government that increase their level of housing permits. In addition, SB 75 cuts \$40 from this program in the current year. This action eliminates local incentives to encourage more housing developments.

- **School Facilities Fee Assistance Program:** SB 75 completely reneges on the deal made with Republicans three years ago to include a developer fee relief pilot program as part of the Proposition 1A bond program. The budget eliminates the future appropriations for the program (\$40 million in 2001-02 and \$20 million in 2002-03) and transfers the uncommitted balance of existing funds (approximately \$86 million) to the General Fund.
- **California Homebuyers Down Payment Assistance Program:** SB 75 cuts \$18 million of the original \$50 million available for the program to the General Fund. This was the *only* component of the Governor's housing package last year which promoted homeownership as opposed to multifamily housing programs. Now, the budget is gutting this homeownership program at a time when it is needed more than ever.
- **California Arts Council – Wastes Tax Payer Dollars:** SB 75 includes a reduction of \$14 million for the Cultural Infrastructure Development Fund proposed in the January Governor's Budget. Even with this proposed reduction, the Arts Council budget is still over 300% LARGER than 1997-98 with much of the funding going for pet political projects the Governor doles out to his supporters.
- **No Smog Check Program Reforms at the Bureau of Automotive Repair (BAR):** Senate Subcommittee #4 completely zeroed out all funding for the Bureau of Automotive Repair (BAR) due to problems with the Smog Check Program. This action was taken primarily because the BAR is not implementing the "Gold Shield Pilot" program which passed the Legislature in 1996 (AB 2515/Bowler) and is designed to minimize consumer inconvenience and ping-ponging related to the test-only stations. Despite the on-going problems with this program, SB 75 fails to include any oversight provisions to ensure this program operates properly and the budget restores full funding.
- **Lieutenant Governor Pork:** SB 75 augments the Lieutenant Governor's Office budget by 12 positions and \$770,000 for a San Diego office and additional funding for the Commission for Economic Development. These augmentations have been done the last two years and vetoed by the Governor each year.
- **Tax Protest Backlog at Franchise Tax Board (FTB) Derailed:** After repeated Republican attempts to add budget control language to address a serious tax protest backlog at the FTB, the Democrats on the Conference Committee refused to take action on this issue. Instead, SB 75 includes an augmentation to the FTB budget of 123 positions and \$7.6 million to enhance collection activities.

Missed Opportunities
Joint Republican Caucus Proposals Compared to SB 75
General Fund
(Dollars in Millions)

JOINT REPUBLICAN PROPOSALS	AMOUNT	SB 75
Education		
K-12 School Construction (Non-98)	\$1,000	---
Community College 11% split	320	---
Scholarshare	8	Revised proposal funded
Loaned Teachers Tax Credit	1	---
Public Safety		
Local Detention Facilities	400	40 (Federal)
Crime Labs	200	25
Technology Grants	100	20
Project Exile	10	---
Strengthening Local Government		
Streets and Roads	500	0
Preparing for California's Future		
20-20 Vision	1,000	0
Safety Net		
Access to Care-Medi-Cal Rates	430	107
Senior / Disabled Home Modification Loans	15	---
Investing in Working Families		
Gas Tax Moratorium	1,500	---
¼ cent Sales Tax Elimination	570	---
VLF Elimination	500	---
Dependent Tax Credit	500	---
Sr. Citizen Property Tax Assistance	154	---
Business Climate		
Increase Manufacturers Investment Credit to 8%	\$91	----
Carl Moyer Diesel Fuel Credit	50	---
Basic R&D Tax Credit– Federal Conformity	41	---
Expand MIC to extraction and Ag. Equipment	36	---
Alt. R&D Tax Credit – Federal Conformity	26	---
Space Flight Equipment – Sales Tax exemption	14	---
Net Operating Loss – Federal Conformity	7	---
A Three-Percent Reserve	2,500	\$2.1 Billion (3% of Revenues)
TOTALS	\$10,051	Missed Opportunities

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.